

## Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 02000 222200Z

70

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 INT-08 SCEM-02 CIAE-00 DODE-00

INR-10 NSAE-00 PA-03 RSC-01 USIA-15 PRS-01 COME-00

L-03 NSC-10 CIEP-02 OPIC-12 FPC-01 OMB-01 TRSE-00

XMB-07 LAB-06 SIL-01 H-03 RSR-01 /124 W

----- 025446

P 222115Z AUG 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 1578

UNCLAS OTTAWA 2000

POUCHED ALL CONGENS CANADA

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: NATIONAL ENERGY BOARD DECISIONS ON PRINCIPLES AND  
METHODS OF ALLOCATING OIL SURPLUS TO CANADA'S  
REQUIREMENTS

1. EMBOFF INFORMED AUGUST 22 OF ISSUANCE OF NATIONAL  
ENERGY BOARD (NEB) REPORT CONTAINING DECISIONS ON  
ALLOCATION OF OIL SURPLUS TO CANADA'S REQUIREMENTS.  
NEW ALLOCATION SYSTEM GOES INTO EFFECT ON OCTOBER 1  
AND WILL BE APPLIED TO OCTOBER EXPORT LICENSE  
APPLICATIONS WHICH ARE DUE IN NEB ON AUGUST 31.

2. IN ORAL BRIEFING ON REPORT BY PORTER, EXPORT  
DIVISION, OIL POLICY BRANCH OF NEB, IT WAS NOTED THAT  
BOARD'S DECISIONS ARE "BEST EFFORTS" RESPONSE TO US  
VIEWS (SET FORTH IN JUNE SIMON LETTER) ON ALLOCATION  
PRIORITIES THAT SHOULD BE FOLLOWED. THE BOARD  
SPECIFICALLY EXPRESSES HOPES IN REPORT THAT US WILL ULTIMATELY  
ASSUME RESPONSIBILITY FOR ALLOCATION.

3. PORTER STATED TO EMBOFF THAT HE WOULD BE AVAILABLE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 02000 222200Z

FOR WASHINGTON BRIEFING ON REPORT IF THAT CONSIDERED

DESIRABLE. OFFER MAY BE MADE OFFICIALLY THROUGH CANADIAN EMBASSY ENERGY OFFICER WHO HAS BEEN SENT COPIES OF THE REPORT BY THE NEB. WE WILL ALSO POUCH COPY TOMORROW.

4. AFTER NOTING THAT NEB WILL CHANGE NEW ALLOCATION PROCEDURE IF, IN ITS OPINION, THE CANADIAN PUBLIC CAN BE BETTER SERVED BY ANOTHER PROCEDURE, THE FEATURES OF THE NEW SYSTEM ARE SET FORTH IN REPORT AS FOLLOWS:

BEGIN QUOTE

1. PREFERENCES FOR PARTICULAR TYPES OF CRUDE OIL BY CANADIAN REFINERS SHOULD NOT BE RECOGNIZED AND GIVEN EFFECT AT THIS TIME.

2. NO SPECIAL EXEMPTION PRIVILEGES TO BE ACCORDED ANY PARTICULAR TYPES OF CRUDE OIL MOVING INTO EXPORT.

3. CRUDE OIL AND CONDENSATE TO CONTINUE TO BE ALLOCATED SEPARATELY.

4. REQUIREMENTS BY UNITED STATES UTILITY COMPANIES (CONSUMERS POWER, DETROIT EDISON AND LAKE SUPERIOR DISTRICT POWER) FOR CANADIAN CRUDE AND CONDENSATE TO RECEIVE PREFERENTIAL TREATMENT, BUT ONLY TO LIMITED EXTENT. FOR THE PRESENT TIME, A MAXIMUM OF 40,000 B/D OF LICENSED MATERIAL WILL BE SET ASIDE FOR THIS MARKET SECTOR. NO EXCHANGES OF CRUDE OIL AND CONDENSATE LICENSED FOR EXPORT TO UNITED STATES UTILITY COMPANIES WITH REFINING COMPANIES TO BE RECOGNIZED.

5. EXPORTS TO LAKEHEAD PIPE LINE COMPANY OF CRUDE AND EQUIVALENT USED AS FUEL FOR ITS PUMPING UNITS TO RECEIVE PREFERENTIAL TREATMENT.

6. EXPORTS BY TRUCK, TANKER OR MINOR PIPE LINE SYSTEMS TO BE TREATED IN THE SAME MANNER AS EXPORTS MOVING VIA THE MAJOR TRUNK PIPE LINE SYSTEMS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 02000 222200Z

7. EXPORTS TO DISTRICTS I-IV AND TO DISTRICT V TO BE ALLOCATED ON THE BASIS OF THE PRO RATA SHARE OF THE TOTAL OF 1,240,000 B/D OF UNITED STATES FEE-FREE LICENSED AMOUNTS ANNOUNCED BY THE UNITED STATES GOVERNMENT ON APRIL 18, 1973 TO BE ALLOCATED TO EACH; I.E. 77.4PERCENT OF THE SURPLUS TO BE INITIALLY ASSIGNED TO DISTRICTS I-IV AND 22.6PERCENT TO DISTRICT V.

8. THE EXPORTABLE SURPLUS OF CONDENSATE TO BE ALLOCATED TO DISTRICTS I-IV AND TO DISTRICT V ON THE BASIS OF THE SHARE OF EXPORTS EACH RECEIVED FROM CANADA DURING 1972.

9. INDIVIDUAL COMPANY ALLOCATIONS FOR CONDENSATE FOR THOSE COMPANIES WHICH HAVE PROCESSED CANADIAN OIL IN THEIR FACILITIES DURING 1973, FOR DISTRICTS I-IV REFINERS TO BE IN RATION TO THEIR UNITED STATES FEE-FREE LICENSED AMOUNTS AND FOR DISTRICT V REFINERS IN RATION TO THEIR 1972 IMPORTS OF CANADIAN MATERIAL.

10. THE CRUDE OIL THAT IS TO BE ALLOCATED TO DISTRICTS I-IV AND TO DISTRICT V WILL BE THE DIFFERENCE BETWEEN THE TOTAL SUPPLY ALLOCATED TO EACH AREA (# 7 ABOVE) AND THE CONDENSATE LICENSED TO EACH. (# 8 ABOVE)

11. CRUDE OIL TO BE ALLOCATED TO INDIVIDUAL COMPANIES WHICH HAVE PROCESSED CANADIAN OIL IN THEIR FACILITIES DURING 1973 ON THE BASIS OF THEIR UNITED STATES FEE-FREE LICENSED AMOUNTS. THOSE AMOUNTS WILL BE THE SUM OF EACH IMPORTING COMPANY'S ORIGINAL MOIP QUOTA FOR 1973 PLUS ANY OIL IMPORT APPEALS BOARD (OIAB) AWARDS GRANTED PRIOR TO 15 AUGUST 1973, BOTH EXPRESSED ON AN ANNUAL BASIS.

12. ALLOCATIONS BY EXPORT TRANSPORTATION FACILITIES TO BE ASSIGNED IN RATION TO APPLICATIONS RECEIVED BY THE BOARD AS LONG AS THESE ALLOCATIONS TO NOT IMPINGE UPON THE SUSTAINABLE CAPACITY OF ANY PIPE LINE SYSTEM.

13. THE EXCHANGE OF ALLOCATIONS BETWEEN DISTRICTS I-IV AND DISTRICT V NOT TO BE PERMITTED.  
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 OTTAWA 02000 222200Z

14. EXCHANGES OF ALLOCATIONS WITHIN DISTRICTS I-IV AND WITHIN DISTRICT V TO BE PERMITTED SO LONG AS THE EXCHANGE PROPOSED DOES NOT CREATE AN EXCESS OVER PIPE LINE CAPACITY IN EACH CASE.

15. EACH LICENSEE TO BE REQUIRED TO BALANCE HIS LICENCE ACCOUNT AT THE END OF A SPECIFIED PERIOD WITH NO CARRY-OVER PROVISION PERMITTED BEYOND THESE PERIODS. THE BOARD WILL ISSUE FURTHER DIRECTION ON THIS POINT AT A LATER DATE.

END QUOTE  
JOHNSON

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 AUG 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973OTTAWA02000  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730822/aaaaaqfq.tel  
**Line Count:** 168  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kellerpr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17-Aug-2001 by reddocgw>; APPROVED <31-Dec-2001 by kellerpr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NATIONAL ENERGY BOARD DECISIONS ON PRINCIPLES AND METHODS OF ALLOCATING OIL SURPLUS TO CANADA'S  
**TAGS:** ENRG, CA, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005